

AMENDED IN SENATE JULY 10, 2013

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CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1038

Introduced by Assembly Member Pan

February 22, 2013

~~An act to add Article 10 (commencing with Section 590) to Chapter 3 of Part 1 of Division 1 of the Food and Agricultural Code, relating to milk products. An act to add Section 61901.5 to the Food and Agricultural Code, relating to milk products, and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1038, as amended, Pan. ~~California Dairy Future Task Force.~~
Milk products: California Dairy Future Task Force.

Existing law authorizes the Secretary of Food and Agriculture to formulate stabilization and marketing plans that establish the prices to be paid by milk handlers for specified classes of market milk and requires a handler subject to a stabilization and marketing plan to pay an assessment to the secretary, as specified. Existing law requires that all moneys received by the secretary pursuant to these provisions be deposited into the Department of Food and Agriculture Fund, a continuously appropriated fund, and be used to defray expenses in connection with the administration of these provisions.

This bill would make specified legislative findings and declarations regarding challenges faced by the dairy industry and would state specified intents of the Legislature. The bill would require that the administration and activities of the California Dairy Future Task Force,

which has been previously established by the secretary, be funded by the assessments collected by the secretary. By authorizing the expenditure of moneys in a continuously appropriated fund for a new purpose, the bill would make an appropriation.

~~Existing law empowers the Secretary of Food and Agriculture to formulate stabilization and marketing plans that establish the prices to be paid by milk handlers for specified classes of market milk. Existing law requires every handler subject to the provisions of a stabilization and marketing plan that purchases market milk from producers to pay a specified assessment to the secretary for deposit into the Department of Food and Agricultural Fund, with revenues to be used for certain purposes.~~

~~This bill would require the California Dairy Future Task Force previously established by the secretary be continued in existence in order to evaluate, hold workshops, and make recommendations on various issues relating to the specific purpose of establishing a stable economic environment for California dairy producers and processors. The bill would provide that funding for the task force, not to exceed \$500,000, shall be made available from assessment revenues paid to the secretary by handlers subject to a stabilization and marketing plan, subject to appropriation by the Legislature. The bill would also make legislative findings and declarations.~~

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. (a) The Legislature finds and declares both of*
- 2 *the following:*
- 3 *(1) The California dairy industry has been confronted with*
- 4 *numerous challenges in the past several years that have forced*
- 5 *the dairy producers to exit the industry and dairy processors to*
- 6 *face heightened competition.*
- 7 *(2) The challenges include dramatic increases in the cost of*
- 8 *corn and other produce used to feed livestock, increasing*
- 9 *environmental and regulatory costs, and decreasing water*
- 10 *availability.*
- 11 *(b) It is the intent of the Legislature to encourage the*
- 12 *Department of Food and Agriculture, to the extent that economic*

1 conditions warrant, to hold the following hearings regarding milk
2 pricing:

3 (1) A hearing to amend the recent emergency price relief
4 decision, issued by the Secretary of Food and Agriculture on June
5 24, 2013, to allow for additional emergency price relief.

6 (2) A hearing to address changes to the whey scale factor that
7 is used to determine the amount paid into the milk pool in
8 California.

9 (c) It is the intent of the Legislature that the Secretary of Food
10 and Agriculture actively engage the California Dairy Future Task
11 Force to assist in developing proposals intended to best position
12 both dairy producers and processors to achieve the goals of
13 long-term success and sustainability.

14 SEC. 2. Section 61901.5 is added to the Food and Agricultural
15 Code, to read:

16 61901.5. Administration and activities of the California Dairy
17 Future Task Force, previously established by the secretary, shall
18 be funded by assessments collected pursuant to Section 62211.

19 SECTION 1. ~~(a) The Legislature finds and declares both of~~
20 ~~the following:~~

21 ~~(1) The California dairy industry has been confronted with~~
22 ~~numerous significant challenges in the past several years that have~~
23 ~~resulted in dairy producers losing revenue and equity, with many~~
24 ~~forced to exit the industry, while processors have faced heightened~~
25 ~~competition and transportation costs, and other economic~~
26 ~~challenges.~~

27 ~~(2) A concentrated focus on these challenges is essential so that~~
28 ~~the California dairy industry may participate successfully in~~
29 ~~domestic and international markets to the benefit of dairy producers~~
30 ~~and processors alike.~~

31 ~~(b) It is the intent of the Legislature that the Secretary of Food~~
32 ~~and Agriculture actively engage a California Dairy Future Task~~
33 ~~Force to develop recommendations intended to best position both~~
34 ~~dairy producers and processors, as well as consumers, to achieve~~
35 ~~the goals of long-term success and sustainability in a market that~~
36 ~~continues to evolve beyond the scope of the current regulatory~~
37 ~~system with the addition of new products and markets.~~

38 ~~(c) It is the further intent of the Legislature that these~~
39 ~~recommendations address current statutory and regulatory~~
40 ~~impediments to achieve these goals.~~

1 SEC. 2. ~~Article 10 (commencing with Section 590) is added to~~
2 ~~Chapter 3 of Part 1 of Division 1 of the Food and Agricultural~~
3 ~~Code, to read:~~

4
5 Article 10. California Dairy Future Task Force

6
7 590. ~~(a) The California Dairy Future Task Force previously~~
8 ~~established by the secretary and consisting of dairy producers,~~
9 ~~processors, and cooperatives shall be continued in existence for~~
10 ~~the specific purpose of developing a stable economic environment~~
11 ~~for California dairy producers and processors.~~

12 ~~(b) The California Dairy Future Task Force shall do all of the~~
13 ~~following:~~

14 ~~(1) Evaluate all of the following issues and any other issues it~~
15 ~~determines to be relevant:~~

16 ~~(A) Market-based and other alternative pricing models.~~

17 ~~(B) Pricing mechanisms that appropriately share risk and value~~
18 ~~between producers and processors, promote competition, and~~
19 ~~encourage innovation.~~

20 ~~(C) Impacts of milk pricing decisions on small cheese~~
21 ~~manufacturers and other manufacturers that do not participate in~~
22 ~~the whey markets, and whether revenues from their products should~~
23 ~~be included in the milk pool, because whey products are derived~~
24 ~~from the milk delivered by producers.~~

25 ~~(D) Whether California's regulated milk pricing system has~~
26 ~~kept pace with the rapidly changing global marketplace.~~

27 ~~(E) Whether milk is directed to the highest and best use.~~

28 ~~(F) Adequacy of relevant statutes and regulations.~~

29 ~~(2) Hold workshops and solicit input from the dairy industry~~
30 ~~and related businesses.~~

31 ~~(3) Make recommendations to the secretary and the Legislature~~
32 ~~no later than July 1, 2014, regarding the addition, modification,~~
33 ~~or repeal of existing statutes and regulations for all classes of milk.~~

34 ~~(c) Funding for the California Dairy Future Task Force, in an~~
35 ~~amount not to exceed five hundred thousand dollars (\$500,000),~~
36 ~~shall be made available from the funds deposited into the~~
37 ~~Department of Food and Agricultural Fund pursuant to Article 14~~
38 ~~(commencing with Section 62211) of Chapter 2 of Part 3 of~~
39 ~~Division 21, subject to appropriation by the Legislature.~~

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